

MARICOPA COUNTY SELF-INSURED TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street, Suite 3200
North Conference Room, 3rd Floor, Maricopa County Administration Building
Monday, April 20, 2015
Open Meeting Time: 11:00 A.M.

MINUTES

TRUSTEES PRESENT: Jim Steinkamp, Frank Hinds, Dan Robledo
(Telephonically) Brad Arnett
TRUSTEES ABSENT: Rex Jorgensen, Beverly Dupree
STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,
MaryEllen Sheppard, Tawn Austin, Curtia Hunter-Richard
GUESTS: Gail Cohen (MCAO), Zach Wolfe (OMB)

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff member present. The folder included the meeting agenda, August 18, 2014, October 20, 2014, November 17, 2014 and February 23, 2015 meeting minutes, the financial statements, and documents in support of Agenda Items 4 and 5.

The Open Session meeting was called to order at 11:07 A.M. by Chairperson Steinkamp. A quorum was present.

Approval of Meeting Minutes

Chairperson Steinkamp called for the approval of the November 17, 2014 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Robledo and seconded by Trustee Hinds.

The November 17, 2014 minutes were unanimously approved. Approval of the August 18, 2014, October 20, 2014 and February 23, 2015 meeting minutes was deferred until the next Board of Trustees meeting.

Presentation and Discussion – Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Financial Commentary – March 2015
- Statements of Revenues, Expenses, and Changes in Net Assets – YTD as of March 31, 2015
- Statements of Net Assets – March 31, 2015, June 30, 2014, June 30, 2013, and June 30, 2012
- Fund Balance Roll-Forward – Nine Months Ended March 31, 2015
- Fund Balance Roll-Forward with Impact of Benefit Holiday Removed– Nine Months Ended March 31, 2015
- Balance Sheet Details – March 31, 2015, June 30, 2014 and June 30, 2013, and June 30, 2012
- Revenue and Expenses – Nine Months Ended March 31, 2015

The question by Chairperson Steinkamp in reference to the shortfall percentage in the Year-To-Date Expenses was addressed and clarified. It was confirmed that the \$2 million Operational Loss is approximately 2% of the \$106 million Year-To-Date Expenses, which is considered within a reasonable range for a loss.

The question by Chairperson Steinkamp in reference to the Rate Development for PY 2016-17 was addressed and clarified. It was confirmed that Mercer would start developing rate recommendations for PY 2016-17 in late August and would take into consideration any additional anticipated loss for the current year. Rates for PY 2015-16 have already been set and approved by the Board of Supervisors.

The question by Chairperson Steinkamp in reference to the general financial status last quarter was addressed and clarified. In January, the County reported a loss of \$1 million excluding the benefit holiday and since then there has been another \$1 million loss in the last three months.

Presentation and Discussion – Fiscal Year 2015 Forecast Update

Dave Hansen presented information regarding Mercer's review of the reserves and their April 2, 2015 and April 14, 2015 Partial Updates to the Actuarial Analysis of Unpaid Claims Liabilities and Reserves as of June 30, 2014. This impacted the revised FY 2015 forecast for the Benefits Trust Fund.

The questions by Chairperson Steinkamp in reference to the data Mercer used to recommend rates were addressed and clarified. Mercer used trending information from May and June 2014 claims but did not have July data when originally setting rates for the plan year. Based on the fact that the May and June 2014 claims were unusually high, Mercer's estimate could be considered conservative. Mercer had to forecast out 2 years of claims data in order to establish the rates.

Presentation and Action – Trust Fund Reserves

Chris Bradley and Dave Hansen presented information regarding (i) the new recommended reserve levels for the Benefits Trust Fund and (ii) the provision for Stop-Loss insurance for FY 2016 and the Maricopa County Board of Supervisors' agenda item (C Number C-39-15-

023-2-00) providing a shortfall fund transfer from the County's General Fund in the event that Net Position in the Benefits Trust, excluding Short-Term Disability funds, is reduced to a deficit.

The question by Chairperson Steinkamp in reference to the CAL set at 100% was addressed and clarified. The 100% CAL was used to illustrate the comparison of Reserve Options in relationship to the 1x the IBNR and 1 Month of Claims.

The question by Trustee Arnett in reference to the Board of Supervisors' acceptance of the County's General Fund policy change in relation to the Benefits Trust Fund was addressed and clarified. The change is only to solidify the understanding already expressed by the Board of Supervisors and the County Manager to support the Benefits Trust Fund with funds from the General Fund in the case of a shortfall. This is not a new policy but instead is the formalization of an existing strategy.

The questions by Trustee Arnett in reference to the State of Arizona CAL calculation was addressed and clarified. It was confirmed that the State of Arizona does not have a CAL calculation; instead they use a formula based on 2x their IBNR. The State IBNR estimate is relatively conservative and may be reduced in the future. The State of Arizona is larger than the County with 60-65,000 employees and over 100,000 members, and the State does not purchase Stop-Loss insurance.

Discussion ensued in reference to the proposed range of between 10% to 15% margin as recommended by the Benefits Administration staff.

The question by Trustee Steinkamp in reference to Mercer's support of the recommendations by the County Benefit Staff was addressed and clarified. The County confirmed that Mercer supports the recommendations as proposed.

Chairperson Steinkamp called for the motion to approve the recommendation to maintain the Trust Reserves for Adverse Claims Fluctuation between 150% and 100% of Company Action Level (CAL) for employer-funded plans (including medical, prescription, and vision benefits). There was no further discussion. The motion to approve the recommendation was made by Trustee Hinds and seconded by Trustee Robledo. The motion was unanimously approved.

Chairperson Steinkamp called for the motion to approve the recommendation to maintain the Trust Reserves for Adverse Claims Fluctuation at 250% CAL for employee-funded plans (short-term disability). There was no further discussion. The motion to approve the recommendation was made by Trustee Robledo and seconded by Trustee Hinds. The motion was unanimously approved.

Chairperson Steinkamp called for the motion to approve the recommended \$750,000 attachment point for the Trust Reserves for Large Claims. There was no further discussion. The motion to approve the recommendation was made by Trustee Robledo and seconded by Trustee Hinds. The motion was unanimously approved.

Chairperson Steinkamp called for the motion to approve the recommended provision for Stop-Loss Insurance to be set at zero for FY 2016. There was no further discussion. The

motion to approve the recommendation was made by Trustee Hinds and seconded by Trustee Robledo. The motion was unanimously approved.

Presentation and Action – Benefit Premium Holiday

Dave Hansen presented financial information in support of a second Benefit Premium Holiday for Plan Year 2014-2015 which would waive both the employer and employee premium on the three bundled Health and Welfare plans (medical, prescription, and behavioral health), and any applicable premium reductions for the Wellness Screenings (Biometric, Health Assessment and Non-Tobacco Use).

The question by Chairperson Steinkamp in reference to the Benefit Holiday was addressed and clarified. It was confirmed that the \$20.3 million forecast of FYE 06/30/2015 as reported does include the recommendation for the Benefit Holiday.

Chairperson Steinkamp called for the motion to approve the recommendation to the Maricopa County Board of Supervisors that a Benefit Premium Holiday for the self-insured medical, prescription and behavioral health plans be implemented for one pay period in June 2015. There was no further discussion. The motion to approve the recommendation was made by Trustee Hinds and seconded by Trustee Robledo. The motion was unanimously approved.

Call to Public

Chairperson Steinkamp made a Call to the Public. There was no response.

Meg Blankenship advised that the next Board of Trustee meeting has been scheduled for August 17, 2015 at 11:00 A.M.

Motion to Adjourn

Chairperson Steinkamp called for a motion to adjourn. The motion was made by Trustee Hinds and seconded by Trustee Robledo. The motion passed unanimously.

The meeting was adjourned at 11:54 A.M.